

VIRGINIA

Economic Indicators

2

VOL. 39, NO. 2

Second Quarter Data, Third Quarter Preliminary Analysis, and Latest 2007-2008 Projections



FEATURE ARTICLE:

Private Trade in Virginia

by James P. Wilson

2

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Third Quarter Preliminary Analysis,
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FOREWORD

For those who are interested in studying the business cycle, the *Virginia Economic Indicators* publication is designed to depict the movement of the key economic indicator series readily available in Virginia. Most of these series are published elsewhere; but here, they are brought together in both graphic and tabular form, under one cover, and grouped so that they may be analyzed and interpreted easily.

Ten of the fourteen series currently used—the two employment series, the four unemployment series, and the four hours and earnings series—are produced in-house by the Economic Information Services Division of the Virginia Employment Commission and are comparable to similar national series produced by the U.S. Department of Labor. The four business indicators are provided by sources outside of the agency (see the Historical Summary at the back of this publication for data sources) and should prove useful to the student of business cycle development in Virginia.

All series currently published in the *Indicators* have been seasonally adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle. The *Virginia Economic Indicators* is currently the only seasonally adjusted publication of some of the Virginia series.

From time to time, new series will be added to this report as the data becomes available and is collected and tested. Also, series presently provided, if necessary, may be discontinued. Historical graphs are published in the back of the fourth quarter issue for each year.

This publication provides a narrative analysis update of the U.S. economy, a narrative analysis of recent changes in Virginia, and highlights of both economies. Also, feature articles dealing with some currently important aspects of the Virginia economy are presented. Feature articles are written in-house or by guest authors knowledgeable on particular economics-related subjects.

This publication is normally produced quarterly in April, July, October, and February, but data in the series is provided on a monthly basis. There is a time lag of one quarter before all the data series are available for publication and analysis.

With the 2002 benchmarks in 2003, all states were required to switch to the North American Industry Classification System (NAICS) codes which replace the

Standard Industrial Classification (SIC) codes formerly used. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that, where 2001, 2002, 2003, 2004, 2005, 2006, and 2007 data has been revised to NAICS, data prior to this time is still on the old SIC basis with more manufacturing industries. This means a slight break in these series when comparisons are made with former periods prior to 2001.

The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are missing from revised 2001, 2002, 2003, 2004, 2005, 2006, and 2007 data.

The U.S. forecast analysis is based on the Global Insight projections which the state purchases. Virginia projections use the state model with enhancements from VEC data for the areas.

Significant advances in printing technologies and the competitive bidding process allowed the production of the current format with its enhancements on an annual contract basis at a substantial cost savings over the previous process and format.

Production and distribution of the *Virginia Economic Indicators*, like most Virginia Employment Commission projects, are financed through specifically-earmarked U.S. Department of Labor grants and do not use Virginia state funding sources.

We welcome any comments, suggestions, or questions concerning *Virginia Economic Indicators*.

Please address your comments to:

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HIGHLIGHTS

The U.S. and Virginia Economies



Mid-summer benchmark revisions by the U.S. Department of Commerce revealed the nation's economy had grown at an average 2.9 percent rate in 2006 versus the 3.3 percent originally estimated as lackluster business spending, the home-building slump, and energy prices all took their toll. It appeared the U.S. economy was headed for the classic "7 year" slowdown in 2007, and only 0.6 percent growth in this year's first quarter seemed to verify the "soft landing." A surprising 3.8 percent second quarter growth rate, even in the face of an energy spike, indicated the economy had "soft landed" in the first quarter and was taking off again. The second quarter's good performance was the result of consumers spending for services, rising exports, and booming commercial construction. However, by August, worsening problems in the residential building and mortgage industries came to light, sending financial markets into a tailspin. The Federal Reserve quickly came to the rescue, lowering the discount rate to banks to make more money available and at its September 18, 2007, Open Market Committee meeting, dropping the Fed Funds rate 50 basis points to 4.75 percent. The Federal Reserve's actions have probably staved off any financial collapse, but the lingering aftermath of the home-building problems will now probably lower 2007 and 2008 growth rates to 2.0 percent each. Before the "mortgage market meltdown," 2007 had the slump, and 2008 was the recovery; now the slump lasts through 2008.

Virginia also saw renewed second quarter growth with: nonfarm payroll jobs reaching new highs of 3,774,000 in April and 3,785,200 in June; average hourly production earnings at new heights of \$17.27 in April, \$17.30 in May, and \$17.66 in June; average weekly production earnings at highs of \$717.33 in April and \$743.96 in June; and Jamestown celebration activities pushing taxable retail sales to a record \$9,075 million in May.

Virginia averaged 1.3 percent second quarter job growth with the pace appearing to quicken in July and August as the number of vehicle- and housing-related factory furloughs dwindled and summer vacation furloughs were 8 percent below 2006. The large amount of commercial building in Virginia caused all-time record construction employment figures for both July and August 2007. Even with the "mortgage market meltdown," Virginia should average 1.5 percent job growth in 2007 and 1.4 percent job

growth in 2008. The best job growth recently has been in the small- and medium-sized Virginia metropolitan areas; but all metropolitan areas, even Danville which for years lost employment, are now adding workers. This summer Virginia had the best unemployment rate of the nation's 13-largest states and its three largest metropolitan areas have the best jobless rates among the nation's large metropolitan areas. Statewide unemployment should average between 3.0 and 3.2 percent for 2007 and 2008.

The Consumer Price Index for the United States for All Urban Consumers (CPI-U) averaged 207.7 (1982-84=100) in Second Quarter 2007. This average was 1.9 percent higher than the 203.8 First Quarter 2007 average. The second quarter average was 2.7 percent above the Second Quarter 2006 average of 202.3, largely because of energy prices.

According to the Bureau of Labor Statistics of the U.S. Department of Labor, productivity in the nonfarm business sector grew at a 2.6 percent annual rate in Second Quarter 2007, reflecting increases of 5.0 percent in output and 2.3 percent in hours of all persons. In First Quarter 2007, productivity increased 0.7 percent, output rose 0.3 percent, and hours fell 0.3 percent. Hourly compensation increased 4.1 percent in Second Quarter 2007, but when the 6.0 percent jump in consumer prices was taken into account, real hourly compensation fell 1.8 percent in the second quarter. As revised, hourly compensation increased 5.9 percent in First Quarter 2007. Unit labor costs rose 1.4 percent in Second Quarter 2007, following a 5.2 percent increase in the first quarter. Unit labor costs increased 4.9 percent from Second Quarter 2006 to Second Quarter 2007, more than during any four-quarter period since Third Quarter 1999 to Third Quarter 2000, when they increased 5.0 percent. The implicit price deflator for nonfarm business output increased 2.4 percent in Second Quarter 2007 and 3.6 percent one quarter earlier.

According to the Energy Information Administration of the U.S. Department of Energy, Virginia's coal production of 14,468,000 short tons mined in the first six months of 2007 was 5.6 percent below the 15,324,000 short tons mined in the first half of 2006.

A handwritten signature in cursive script, reading "William F. Mezger".

William F. Mezger, Chief Economist
Virginia Employment Commission

After a first quarter slowdown, both the nation and Virginia saw a second quarter growth surge; but the "mortgage market meltdown" in August promises to slow the pace into 2008, but more so in the nation than Virginia.



U.S. ECONOMIC OUTLOOK

Forecast Update—Second Quarter Data, Third Quarter Preliminary Analysis, and Latest 2007-2008 Projections

William F. Mezger, Chief Economist

The U.S. Department of Commerce revised the Gross Domestic Product (GDP) numbers for 2006 in July, as it does annually, after all the contributing agencies have updated their information to the latest benchmarks. (GDP is the sum of the output of all the goods and services produced by labor and property in the U.S. and is the key measure of economic gain or loss.) The Commerce Department's latest revisions reveal GDP in the U.S. grew at an annual rate of 2.9 percent in 2006, slower than the pre-revision estimated annual rate of 3.3 percent.

For the first time in three years, since 2003, U.S. GDP growth failed to quite meet the 3.0 percent average growth rate for the past two decades. The slightly below trendline growth in 2006 slowed because of lackluster business spending, the slump in home-building, and the impact of energy prices. Consumer spending, exports, and federal government spending, however, remained fairly strong.

The U.S. economy appeared headed for the classic "7 year" slowdown that has happened in four of the five previous decades. The "7 year" slowdowns have been:

- ◆ 1957 - 1958 - when there was a recession due to lost confidence after President Eisenhower had a heart attack.
- ◆ 1967 - when there was negative GDP growth in the second quarter due to Vietnam War homeland production policies.
- ◆ 1987 - when a high U.S. dollar damaged U.S. exports and accelerated the flight of manufacturing overseas.
- ◆ 1997 - when action by the Federal Reserve in lowering the Fed Funds rate prevented the collapse of Asian economies from turning into a recession here. The U.S. had only a mild

slowdown while most of the rest of the world suffered recession.

There was no slowdown in 1977 because the U.S. economy was still recovering from the deep 1974-75 recession, which was brought on by world-wide shortages and energy problems.

The pattern seems to be: after a recession at the start of the decade (The 1940's was the only one of the last eleven decades not to have a recession in the "0 to 3" years), the economy sees good growth in the "4 to 6" years, but needs a pause by the "7 year." Usually growth is renewed in the last years of the decade.

The current year (2007) seemed to be falling into the familiar "7 year" pattern with GDP growth slowing to only 0.6 percent in the first quarter. Most forecasters predicted the economy would touchdown for the "soft landing" about mid-year. A March-to-May gasoline price spike to about \$3.00 per gallon for regular gas, caused by a lack of U.S. refinery capacity at the start of the summer driving season, seemed to assure the slower pace.

When GDP figures for Second Quarter 2007 rolled in (the 90-day final estimate, out September 27, 2007, was 3.8 percent growth), it looked like the economy was growing much faster than thought (in spite of the gas price hike). It appeared the 2007 economic "soft landing" had already occurred in the first quarter (only 0.6 percent growth), and the economy was now taking off again. Consumer spending for services, rising exports, booming commercial construction, federal government defense purchases, and increased software purchases were behind the good second quarter gain.

U.S. economy touches down in the first quarter and appears to bounce back in the second quarter.

On August 9, 2007, the media blared headlines about “the quickly worsening plight of the residential building and mortgage industries” as the inventory of unsold homes and foreclosures skyrocketed, especially in the sub-prime market, and home prices nosedived.

These problems resulted from:

- ◆ Super-low interest and mortgage rates in 2002, 2003, and 2004 as the Federal Reserve tried to “jump start” the then stalled economy.
- ◆ Marginal buyers got mortgages, many of them flexible rate mortgages, in the above period; and when interest rates started to rise after June 2004, they could not afford to keep their new property purchases.
- ◆ When mortgage rates were low and the high demand was pushing up home prices, there was much speculation—buying properties, holding them a few months, then re-selling them for big profits, and repeating the cycle all over again. About 2006, speculators found themselves with rising mortgage rates on properties that were worth less than they had paid shortly before.

The stockmarket, fearing major collapses in the mortgage and banking industries, also tumbled in August, as there was a run on hedge funds where investors’ money was tied up in illiquid mortgage assets.

The Federal Reserve, like the calvary, came to the rescue.

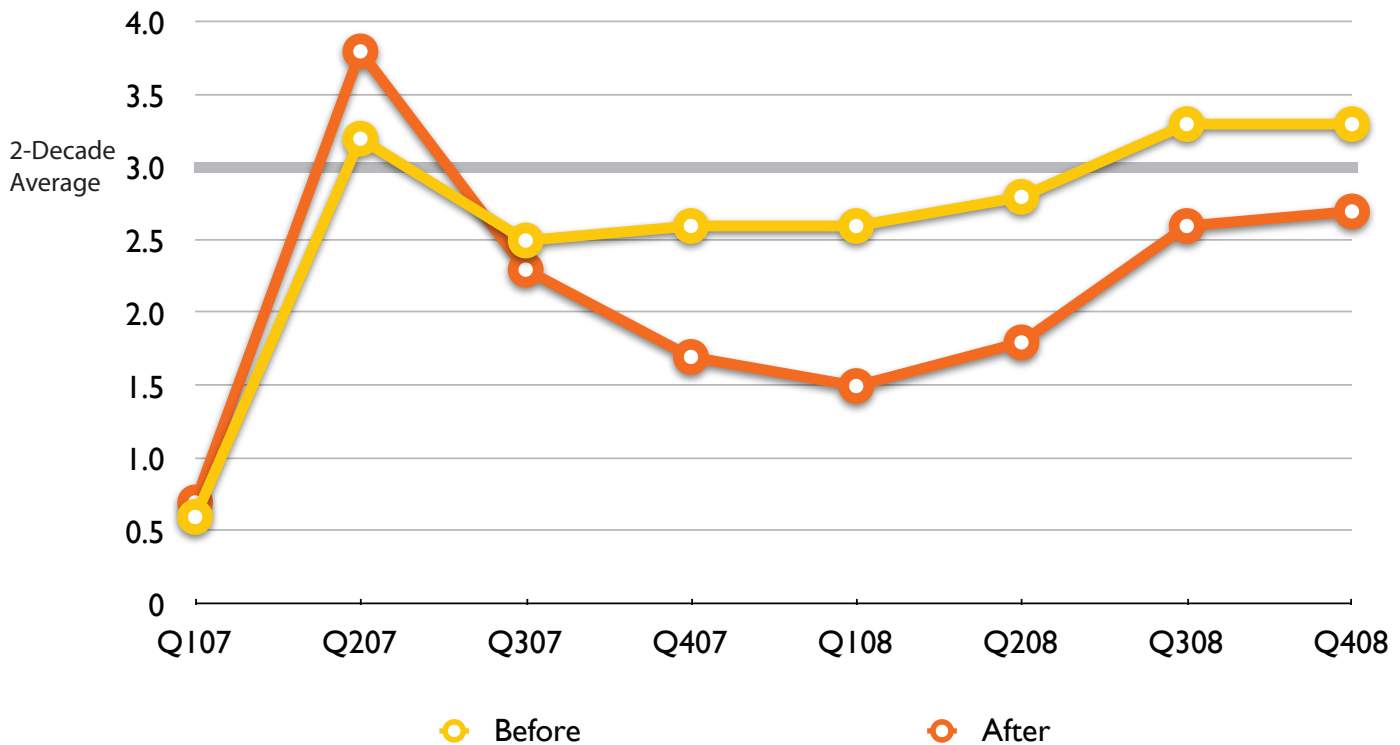
- ◆ The Federal Reserve on August 17, 2007, lowered the discount rates which banks can borrow at, making more money available and calming, to some extent, the mortgage and stock market fears. This was a somewhat “unusual” move in that the Federal Reserve does not normally make policy shifts between its six-week interval Open Market Committee meetings.
- ◆ At the next regularly scheduled Open Market Committee meeting on September 18, 2007, the Federal Reserve, after holding the Fed Funds rate at 5.25 percent since June 2006, lowered the Fed Funds rate 50 basis points, to 4.75 percent. This, in turn, lowers interest rates on many other financial instruments.
 - ◆ As it has done in the past, the Federal Reserve once again turns from its primary objective of keeping inflation in check to warding off dangers to economic growth and stability. But then, the first quarter’s slower growth had brought inflation down closer to the Federal Reserve’s 2.0 percent “comfort zone.”
- ◆ The Federal Reserve will probably now wait and see if its actions are enough to return stability to the financial markets. If not, it may still reduce the Fed Funds rate to 4.50 percent by the start of 2008.



The Federal Reserve’s actions have probably put a floor under the financial markets, but the housing market still has a ways to fall, probably not bottoming out until mid-2008. Look for:

- more foreclosures
- fewer home buyers
- home price drops nationally of 2.5 percent in 2007 and 6.7 percent in 2008.

GDP Projections Before and After “Mortgage Market Meltdown”



Updated 2007 and 2008 Forecasts

	Percent Growth (except as noted) Averages	
	2007	2008
Real GDP	2.0	2.0
Consumer Spending (Real)	2.9	2.3
Business Investment (Real)	3.7	2.9
Federal Government Spending (Real)	1.3	3.1
Housing Starts (Million Units)	1.36	1.16
Existing Home Sales (Million Units)	5.74	4.85
Light Vehicle Sales (Million Units)	16.1	16.2
Nonagricultural Employment	1.3	0.8
Unemployment Rate (Levels)	4.6	5.0
Consumer Price Inflation	2.6	1.8
Oil Price (\$ per Barrel)	67	72
Industrial Production	1.9	1.5
Federal Government Surplus (Billion Dollars)	-166	-266

The baseline forecast probability is 55 percent.

The aftermath of the “mortgage market meltdown” will likely keep consumer spending (over two-thirds of GDP) below three percent into 2009 and cause a lowering of economic growth for 2007 and 2008. In the previous forecast, 2007 was the slump, and 2008 was the recovery to back over the three percent growth trendline rate. Now the slower period extends through 2008, not getting back above the three percent growth trendline until into 2009.

The revised projections indicate:

- ◆ Consumers will feel less wealthy with housing values declining and will spend less, especially on household furnishings and appliances. Inflated real estate values made consumers feel confident enough to allow consumer spending gains to outpace real income growth.
- ◆ The slowdown in consumer spending plus slightly less business spending (which has been flat anyway), will slow job growth into 2008 and push unemployment back to the 5.0 percent (full unemployment) level.
- ◆ Light vehicle sales overall will hold up pretty good at just over 16 million units as the lower interest rates, rebates, incentives, and extended warranties all help. What is not good for domestic-based manufacturers, as the mix shifts back towards cars from less fuel-efficient sport utility vehicles, is that import-based manufacturers seem to pick up a bigger and bigger market share.
- ◆ The slowed economy will bring inflation down to a 1.8 percent average rate by 2008.
- ◆ The federal deficit, down to \$166 billion



in 2007, will climb to \$266 billion in 2008 because of the slower economy reducing revenues and increased federal spending to try to speed the end to the war in Iraq.

- ◆ Energy prices are declining with less fall demand, but world oil prices are on the rise again.

This writer sees some forces that may keep the economy from throttling back as much as the forecast now indicates.

- ◆ Employment seemed to be extremely strong this summer with producers appearing to have already adjusted production to reduced demand from the housing slump.
- ◆ Since 1990, problems in one sector seem less likely to spill over to other sectors.
- ◆ Eighty three percent of U.S. nonfarm employment (85 percent in Virginia) is now comprised of the less recession-prone service-providing industries, and all the job growth is coming from these sectors.
- ◆ Demographics make for a smaller labor force to fill the available jobs. Low birth rates in the 1960s and 1970s mean that as the baby boomers start retiring in large numbers, there are not enough domestic workers to replace retirees, without several million immigrants being brought in.
- ◆ Economies in much of the rest of the world that have been in a slump for most of the last decade are now expanding at a time when the U.S. dollar value is declining, thus making a good market for U.S. exports.
- ◆ The worst real estate market problems, are on the West Coast—states like Arizona, Nevada, California, and Hawaii. Things do not seem to be nearly as bad in the middle of the country and in the South.



- ◆ Commercial construction is extremely strong—expected to grow ten percent in 2007—and this is taking up much of the residential slack.
- ◆ Defense spending is expected to rise in 2008 (should be good for Virginia).
- ◆ Much was made in the media about “the 4,000 decline in the U.S. job level in August—the first time in four years.” This was most likely a fluke with August being a most difficult month to estimate because there are a couple of million college students nationally, who have been working summer jobs in May, June, and July, who all quit by August 1 to prepare to return to classes. At the same time, there are millions of school system personnel who do not go back on school system payrolls until late in August (in many localities the local school system is the biggest single employer). This year’s August 12-18 statistical reference week likely missed both groups in many places.

The “housing market meltdown” coming to light in August causes the baseline forecast to be revised downward.



Forecast Alternatives

In the **optimistic scenario**, productivity gains are better than in the baseline forecast because of a 1990’s-type wave of technology advances. Also, growth in the rest of the world picks up U.S. exports even more, the worst housing problems are confined to a few markets, and oil prices behave. (Probability is 15 percent.)

In the **pessimistic scenario** the housing mess worsens, dragging the whole economy down. This scenario now projects negative growth—a mild recession—for Fourth Quarter 2007 and First Quarter 2008. (Probability is 30 percent.)

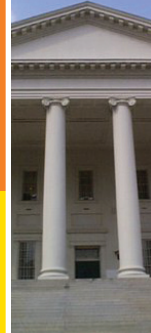
October 4, 2007



VIRGINIA INDICATORS

Second Quarter 2007 Data with Updated Area Analysis

William F. Mezger
Chief Economist



Like in the nation, the Virginia economy turned in a fairly strong performance in Second Quarter 2007 aside from seasonal adjustment problems in April. As often happens in the second quarter, the seasonal adjustments appear to have over-compensated for the Easter holiday, which this year fell at the beginning of the April 8-14 statistical reference week. March and April are the two months in the year that are always the most difficult to seasonally adjust because Easter week, with its increased travel, shopping, and plant furloughs, comes in March some years and April other years. Seasonal adjustment is, after all, just applying averages from a series of past years to the current figures. The Virginia economic indicators series performed as follows in the second quarter:

- ◆ April had two series up, three unchanged, and nine series down.

Once the April seasonal adjustment problems were past, the performance was much stronger.

- ◆ May had seven series positive, three unchanged, and four down.
- ◆ June had eight series up, two unchanged, and four down.

The Virginia series set eight positive all-time records in Second Quarter 2007:

- ◆ Nonagricultural payroll jobs, although inching forward at a pace that was too slow to register change on our pages 18 and 19 tables, still managed to reach new levels of 3,774,000 in April and 3,785,200 in June.
- ◆ Average hourly production earnings climbed to new highs of \$17.27 in April, \$17.30 in May, and \$17.66 in June.
- ◆ Average weekly production earnings reached records of \$717.33 in April and \$743.96 in June.

- ◆ The many visitors and special events associated with the 400th Anniversary Jamestown celebration pushed taxable retail sales to a new high of \$9,075 million in May.
- ◆ While not an all-time record, initial claims for unemployment insurance benefits were at a seven-year low of 4,423 in June.

The six-month moving average of rising indicators on page 19 serves to illustrate the quarter's performance. The moving average enhances analysis because it smoothes out much of the irregularity present in many of individual series.

Around the State

Virginia averaged 1.3 percent job growth (on an annual basis) in Second Quarter 2007. The pace appeared to quicken in July and August as the number of vehicle- and housing-related factory furloughs seemed to dwindle and the number of workers on summer furloughs was down 8 percent from the 2006 vacation period. Construction employment was very strong this summer, setting records of 256,300 in July and 256,700 in August as the large amount of commercial work going on in Virginia appeared to more than take up the slack in residential building. The boost that leisure and hospitality and trade and transportation interests were receiving from Jamestown-related activities was frosting on the cake. Virginia's economy seemed to touch down early in 2007 and then to be strengthening this summer. September initial unemployment claims were the lowest in seven years. Even with the "mortgage market meltdown" nationally, Virginia should average about 1.5 percent job growth for 2007, or 55,000 jobs added, and 2008 should see 1.4 percent job growth, or 53,000 jobs, added. Statewide unemployment should average

Like the nation, Virginia saw renewed second quarter growth.

between 3.0 and 3.2 percent for 2007 and 2008. Employment and unemployment are always the “caboose” of the economic train—the last to turn around in good times and bad.

Unemployment continues to hover within two tenths of a percentage point on each side of 3.0 percent, giving Virginia a lower jobless rate than any other of the 13 largest states. If national mortgage market problems do not spook the economy too much, this trend should continue for the rest of 2007 and 2008. The only states with lower unemployment than Virginia are four or five small western Rocky Mountain states that are currently experiencing an energy and technology boom that is actually taxing their small economic bases to supply enough workers.

In summer 2007, Virginia’s three-largest metropolitan areas have consistently had unemployment rates among the four-best unemployment rates of all the nation’s 49 large metropolitan areas with populations over one million. In July, Richmond had the lowest large metropolitan area jobless rate, and the Washington, DC, area was second-lowest. (Northern Virginia is included with the greater Washington, DC, area in national rankings.) In August, the Washington, DC, area had the lowest rate, and the Richmond area was second-lowest. The Virginia Beach-Norfolk-Newport News, Virginia/North Carolina, area was tied for second-best in July and was fourth-best in August.

Fastest job growth again in Second Quarter 2007 was in the small- and medium-sized metropolitan areas of Harrisonburg, Winchester, Virginia/West Virginia, Charlottesville, and Lynchburg; but, as usual, job growth in areas where colleges are the dominant employer slowed some during the summer months. Richmond and Roanoke continued steady hiring trends in health care and professional and business services, but large college employers also meant a

slowed summer hiring pace. Cutbacks in the housing industry have dropped Northern Virginia job growth from over three percent annually last year to closer to two percent, but the engine of Northern Virginia’s expansion, professional and business services, was still hiring lots of new college graduates this summer. For the first time in several years, no Virginia metropolitan area reported negative job growth in the second quarter as services expansions and no new recent big factory closings turned Danville area job growth positive. Blacksburg-Christiansburg-Radford still was experiencing temporary layoffs in its large motor vehicle-related manufacturing sector. Nonmetropolitan rural areas in the Southside continue to see some job loss.



◆ **Harrisonburg** was the state’s metropolitan area with the fastest job growth in the second quarter with a 3.6 percent annual rate of gain. Job expansion temporarily slowed in the summer because much of this gain was coming from the large James Madison state university and the various service industries that support it. Unemployment was mid-to-upper two percent, putting Harrisonburg in the best 20 of the nation’s 369 metropolitan areas.

◆ **Winchester, Virginia/West Virginia** saw services-led job growth of three percent with an industry structure very similar to its prosperous neighbor to the east, Northern Virginia. In the last year, layoffs in building- and motor vehicle-related manufacturing, some in neighboring areas, but more recently inside the area itself, have inched up unemployment to 3.0 percent.

◆ **Charlottesville** saw mid-two percent area job growth in the second quarter, led, as usual, by the large University of Virginia and University Medical Center and the research, professional and business services, health care, and

other support industries that go along with them. Charlottesville area unemployment was mid-two percent, putting it in the best 15 of the nation's 369 metropolitan areas. Charlottesville had the lowest unemployment of any U.S. metropolitan area outside of the Rocky Mountain West.

- ◆ **Lynchburg** also saw solid low-to-mid two percent job growth for the metropolitan area, with just about all sectors participating. The several private colleges and their support industries provide a boost to the Lynchburg area economy, just as the public colleges do in Charlottesville, Harrisonburg, and Blacksburg-Christiansburg-Radford. Unemployment runs mid-three percent.

- ◆ **Northern Virginia** area job growth has slowed from over three percent annually to two percent recently because of fewer jobs in residential building. Even in this area where the residential slump is more evident than anywhere else in Virginia, the large amount of commercial construction has taken up most of the slack. Northern Virginia's (and the state's) mainstay of professional and business services continued to grow better than three percent annually, hiring lots of new college graduates during the summer. Trade and transportation employment was up mid-two percent, with the airlines flying more passengers this summer. Unemployment, with a just over two percent rate overall, is actually lower than last year, but some outer counties, where residential construction workers live, have seen a tenth of a percentage point rise in their respective jobless rates.



- ◆ **Richmond** area job growth was two percent in the second quarter, led by professional and business services and education and health care. Downtown and shopping center construction kept building job levels above last year. Jamestown has brought extra visitors to the Richmond area, also. State government is under a hiring freeze as state revenues are watched. Further down the road, the financial sector will likely see job reductions from the Wachovia Securities merger/move to St. Louis and belt-tightening to increase profitability at other key financial institutions; but Phillip Morris tobacco and its associated companies plan to bring 2,000 plus workers here by 2010. The best future development for the area is the planned expansion of Fort Lee with 6,000-7,000 federal jobs added, plus private sector support jobs. Unemployment for the area is just over three percent, good enough to give Richmond the best large metropolitan area jobless rate in the nation in July.

- ◆ **Roanoke** area job growth continued at a steady 1.6 percent rate led by professional and business services and private education health care, services which Roanoke area employers traditionally have provided to the rest of Southwest Virginia. Further in the future, Roanoke area health care employment should benefit from the planned medical school in the area. Unemployment stays right at three percent.
- ◆ **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** job growth has recently been near 1.5 percent. This area's leisure and hospitality industry has been the chief beneficiary of employment generated by the Jamestown-related activities. Construction employment also continues a couple thousand jobs above last



summer, thanks to the many commercial projects going on. Health care and finance employment are still adding jobs. Even with the recent closing of the Norfolk Ford assembly plant, unemployment remains mid-three percent. In July, Hampton Roads had the second-best jobless rate of the nation's major metropolitan areas. The continued military deployments prevent enlisted personnel from moonlighting in the local service economy, thus competition for jobs and unemployment remain low.

- ◆ **Danville**, after having negative area job growth for several years, saw service industry job gains turn the local employment picture positive with one percent annual growth in the second quarter. Unemployment in the five-to-six percent range was one percentage point below last year.
- ◆ **Blacksburg-Christiansburg-Radford** continued to have temporary vehicle- and housing-related factory furloughs, which reduced area job growth to one percent

annually, although furloughs seemed to diminish as the summer wore on. The jobless rate remains above four percent because of the factory furloughs.

Eight Positive Records Set in Second Quarter as the Economy Appears to be Seeing Renewed Growth

The two employment series were both all neutral in the second quarter, so far as our pages 18 and 19 tables were concerned, with less than the 0.5 percent plus or minus necessary to register change. Nonagricultural wage and salary employment did, however, creep forward enough to set new record highs of 3,774,000 in April and 3,785,200 in June. May's seasonally adjusted nonfarm employment level was off 600 at 3,773,400. The factory employment level also gained a little, going from 286,400 in March to 287,400 by June. It finished the second quarter several thousand jobs above the all-time low of 283,900 registered in November 2006.

The four unemployment-related series were all negative in April, but then turned mostly positive

for both May and June. The seasonal adjustment factors may have over-compensated for the April 8, 2007, Easter holiday, which this year fell at the start of that month's statistical reference week. The total unemployment rate rose from March's 3.0 percent to 3.1 percent in April, fell back to 2.9 percent in May, and was back at 3.0 percent in June. Average weekly initial claims rose from March's 5,121 to 5,258 in April, but then slid to 4,761 in May and 4,423 in June, a seven-year low. New claims from workers on temporary furloughs, related to problems in the housing and vehicle industries, seemed to diminish as 2007 wore on. The insured unemployment rate (the ratio of claimants to those eligible to draw benefits), after its rise from 0.90 percent in March to 0.98 percent in April, receded to 0.95 percent in May and then 0.89 percent in June. Final payments for unemployment insurance (which to some extent reflect claims activities six months previous) were up from 2,719 in March to 2,790 in April, rose again to 3,605 in May, but then were back to 2,637 for June, a 12-month low.

The four production worker hours and earnings indicators leaned toward negative in both April and May, but turned all positive by June. The length of the production workweek shortened from 41.9 hours in March to 41.6 hours in April and 41.2 hours in May, but then stretched to 42.2 hours in June. Total production hours worked followed a similar pattern, going from 9,391,000 in March to 9,337,000 in April and 9,238,000 in May, but recovered to an 11-month high of 9,514,000 in June. The average hourly factory pay rate reached new heights each month of \$17.27 in April, \$17.30 in May, and \$17.66 in June. The average weekly production wage set new records of \$717.33 in April and \$743.96 in June. The May weekly wage was slightly off the pace of the other months, at \$711.73, due to May's fewer hours worked.

The four, sometimes fickle, business-related series were largely negative in April and June, but all positive in May. The single-family housing permits, responding to the mortgage market problems,

continued to retrench, except for a slight reversal in May; being 2,769 in March, 2,604 in April, 2,768 in May, and 2,589 in June. New business incorporations were off from the 1,500 in March to 1,396 in April, but then rebounded to 1,496 in May and 1,506 in June. New light vehicle registrations were up from March's 41,998 to fairly respectable levels of 44,200 in April and 49,623 in May as incentives, rebates, and extended warranties seemed to counteract this spring's spike in fuel prices. Registrations were down to 42,937 by June. Taxable retail sales in Virginia were down from \$8,785 million in March to \$8,676 million in April, but buoyed by the extra visitors and activities associated with the 400th anniversary Jamestown celebration, rose to a record \$9,075 million in May. June's retail sales figure was \$8,767 million.



Virginia still has the best unemployment rate of the nation's 13-largest states, and its three largest metropolitan areas have the best jobless rates among the nation's large metropolitan areas.

EMPLOYMENT INDICATORS

	Nonagricultural Wage and Salary Employment*		Manufacturing Employment*		Total Unemployment Rate*	
	(Thousands)		(Thousands)		(Percent)	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,654.1	3,712.0	291.3	292.4	3.2	3.0
February	3,664.7	3,716.4	290.3	291.6	3.2	2.9
March	3,700.7	3,726.8	289.4	290.4	3.0	2.9
April	3,714.0	3,720.0	290.5	291.2	2.8	3.0
May	3,743.5	3,727.1	290.5	290.9	2.8	2.9
June	3,777.5	3,736.4	291.2	290.3	3.2	3.0
July	3,723.7	3,727.1	289.3	290.9	3.2	3.0
August	3,719.0	3,728.3	289.3	288.6	3.2	3.1
September	3,732.2	3,721.0	286.2	285.3	3.1	3.1
October	3,752.0	3,734.1	284.9	284.5	2.7	3.0
November	3,764.6	3,735.8	284.8	283.9	2.8	3.0
December	3,768.5	3,735.6	287.2	285.6	2.7	2.9
2007						
January	3,700.9	3,759.5	286.0	287.1	3.2	2.8
February	3,710.5	3,762.8	284.5	285.8	3.2	2.9
March	3,747.3	3,773.7	285.4	286.4	3.1	3.0
April	3,768.0	3,774.0	286.0	286.7	2.9	3.1
May	3,790.0	3,773.4	286.1	286.5	2.8	2.9
June	3,826.8	3,785.2	288.3	287.4	3.2	3.0

* These series have been adjusted to First Quarter 2006 benchmarks.

UNEMPLOYMENT INSURANCE INDICATORS

	Average Weekly Initial Claims		Insured Unemployment Rate		Unemployment Insurance	
			(Percent)		Final Payments	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	7,387	5,085	1.16	0.89	3,288	3,299
February	4,521	4,679	1.00	0.86	2,873	3,041
March	4,310	4,819	0.87	0.82	3,099	2,672
April	3,658	4,510	0.83	0.88	3,159	2,886
May	4,089	4,915	0.83	0.87	3,497	3,529
June	4,234	4,575	0.78	0.84	2,905	2,612
July	5,576	4,960	0.95	0.96	2,842	2,776
August	4,331	5,180	0.81	0.90	3,409	3,068
September	4,237	4,937	0.79	0.93	2,500	2,949
October	4,713	5,292	0.89	0.99	2,893	3,266
November	5,724	5,832	0.90	0.94	2,660	2,861
December	6,647	4,696	0.96	0.93	2,618	2,917
2007						
January	7,301	5,026	1.09	0.84	3,506	3,518
February	5,813	6,016	1.08	0.93	2,911	3,081
March	4,580	5,121	0.95	0.90	3,153	2,719
April	4,265	5,258	0.92	0.98	3,054	2,790
May	3,961	4,761	0.91	0.95	3,573	3,605
June	4,093	4,423	0.83	0.89	2,933	2,637

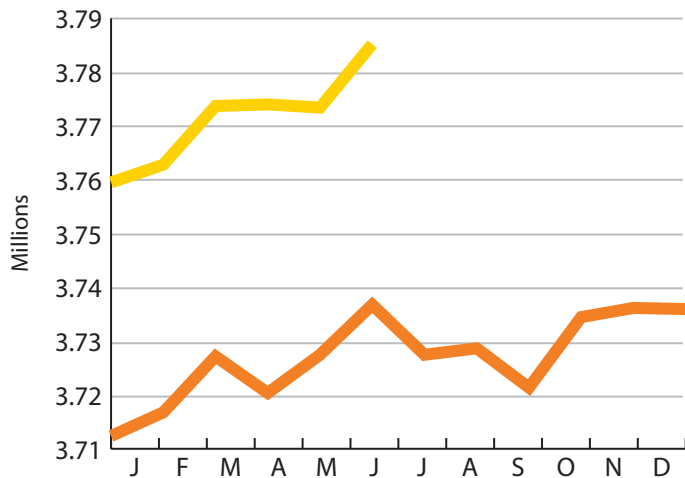
EMPLOYMENT INDICATORS

January 2006- June 2007

2006

2007

Nonagricultural Wage and Salary Employment



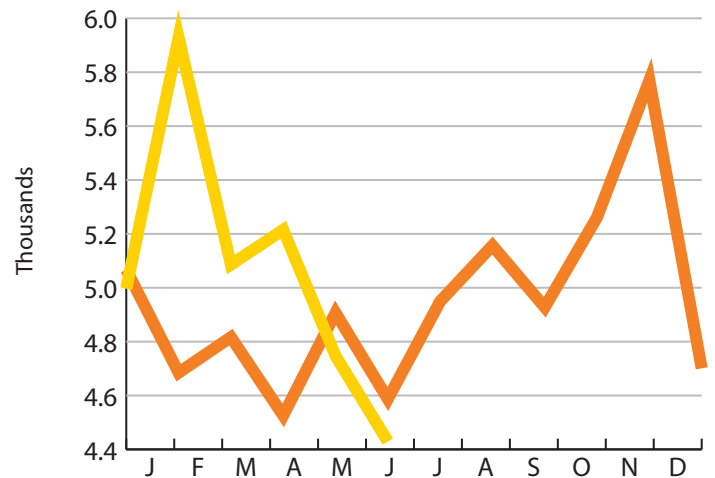
UNEMPLOYMENT INSURANCE INDICATORS

January 2006 - June 2007

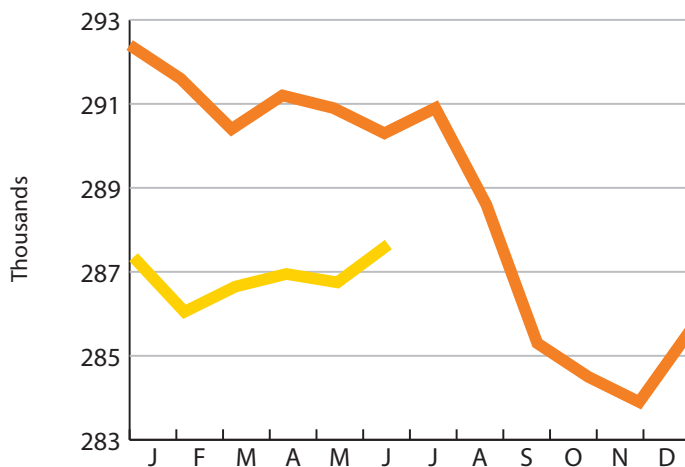
2006

2007

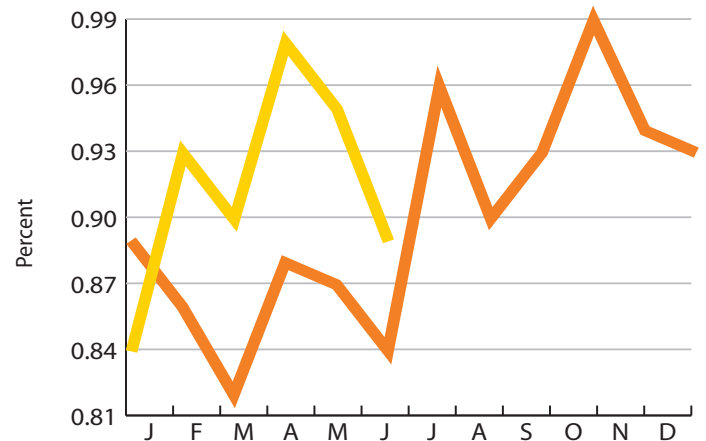
Average Weekly Initial Claims



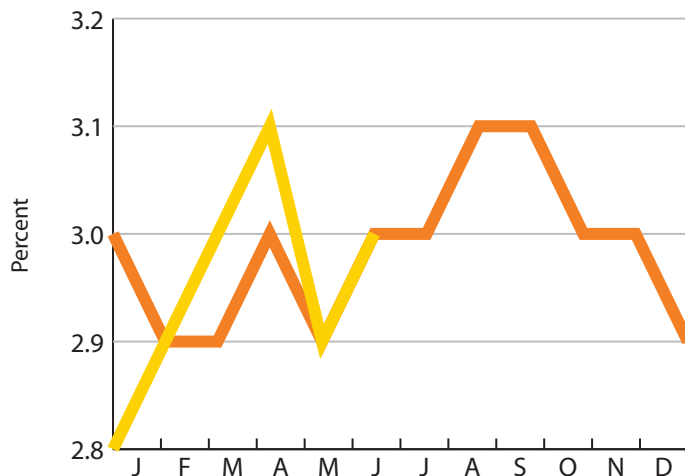
Manufacturing Employment



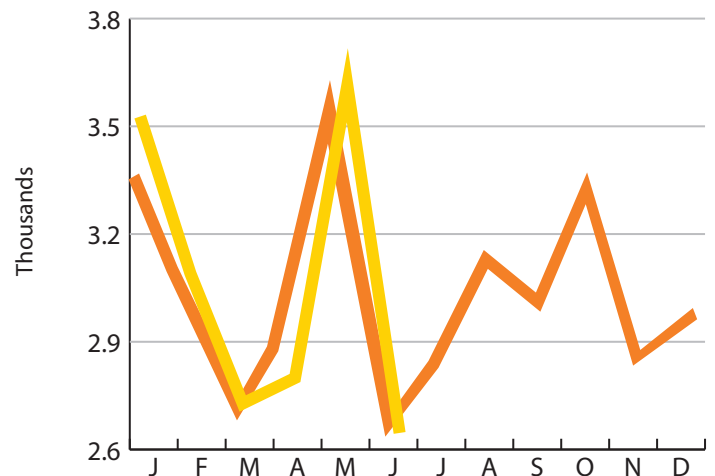
Insured Unemployment Rate



Total Unemployment Rate



Unemployment Insurance Final Payments



MANUFACTURING PRODUCTION WORKER INDICATORS

	Average Weekly Hours*		Average Hourly Earnings* (Dollars)		Deflated Average Hourly Earnings* (1982-84 Dollars)	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
2006						
January	41.7	41.5	16.51	16.51	8.51	8.46
February	40.9	41.0	16.71	16.66	8.60	8.54
March	40.9	41.2	16.75	16.81	8.58	8.63
April	40.6	41.1	16.70	16.63	8.47	8.46
May	41.5	41.2	16.63	16.67	8.39	8.43
June	41.8	41.4	16.81	16.76	8.46	8.46
July	41.4	42.2	16.62	16.70	8.34	8.40
August	40.8	41.3	16.70	16.80	8.37	8.44
September	41.4	41.4	16.74	16.75	8.44	8.47
October	41.3	41.0	16.91	16.92	8.58	8.61
November	40.8	40.7	16.89	16.93	8.58	8.58
December	42.1	41.2	16.99	16.85	8.62	8.49
2007						
January	41.3	41.1	17.07	17.07	8.64	8.59
February	41.1	41.2	17.05	17.00	8.59	8.52
March	41.6	41.9	17.07	17.14	8.51	8.56
April	41.1	41.6	17.34	17.27	8.58	8.57
May	41.5	41.2	17.26	17.30	8.47	8.51
June	42.6	42.2	17.71	17.66	8.69	8.68

MANUFACTURING PRODUCTION WORKER INDICATORS (CONTINUED)

	Total Production Hours* (Thousands)		Average Weekly Earnings* (Dollars)		Deflated Average Weekly Earnings* (1982-84 Dollars)	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
2006						
January	9,412	9,396	688.47	684.43	354.88	351.19
February	9,211	9,260	683.44	687.36	351.93	352.81
March	9,194	9,295	685.08	690.60	350.78	352.44
April	9,172	9,281	678.02	682.46	343.82	345.73
May	9,375	9,312	690.15	685.76	348.21	347.17
June	9,464	9,351	702.66	692.89	353.81	350.10
July	9,319	9,587	688.07	701.04	345.42	352.54
August	9,233	9,313	681.36	694.98	341.36	349.15
September	9,269	9,253	693.04	698.07	349.31	353.27
October	9,210	9,122	698.38	693.18	354.51	352.71
November	9,086	9,053	689.11	689.45	350.16	350.30
December	9,464	9,213	715.28	694.51	362.72	350.38
2007						
January	9,251	9,235	704.99	700.85	356.85	353.14
February	9,157	9,206	700.76	704.78	352.95	353.83
March	9,289	9,391	710.11	715.84	353.97	355.64
April	9,227	9,337	712.67	717.33	352.58	354.53
May	9,300	9,238	716.29	711.73	351.71	350.66
June	9,628	9,514	754.45	743.96	370.00	366.12

* These series have been adjusted to First Quarter 2006 benchmarks.

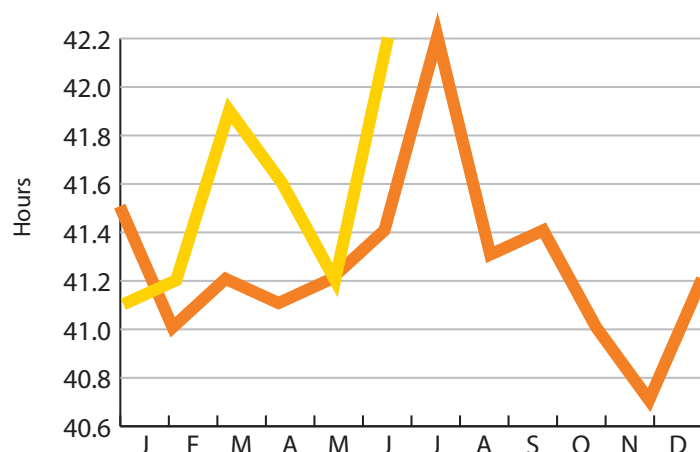
MANUFACTURING PRODUCTION WORKER INDICATORS

January 2006 - June 2007

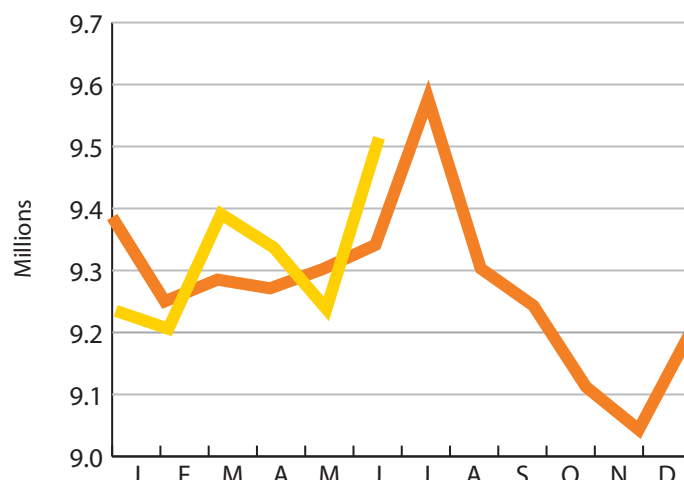
2006

2007

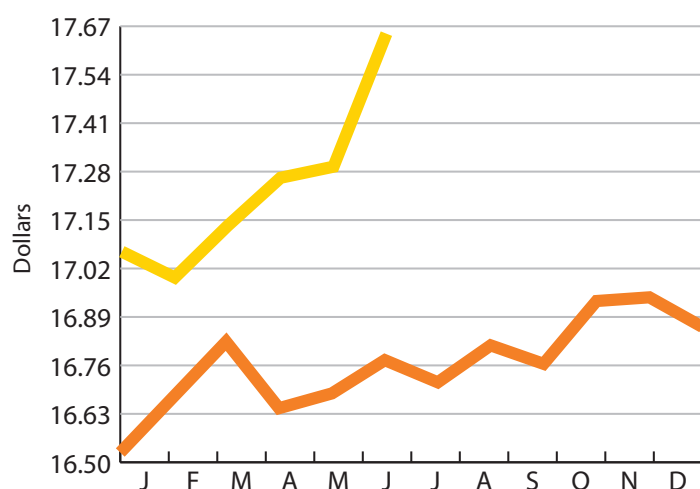
Average Weekly Hours



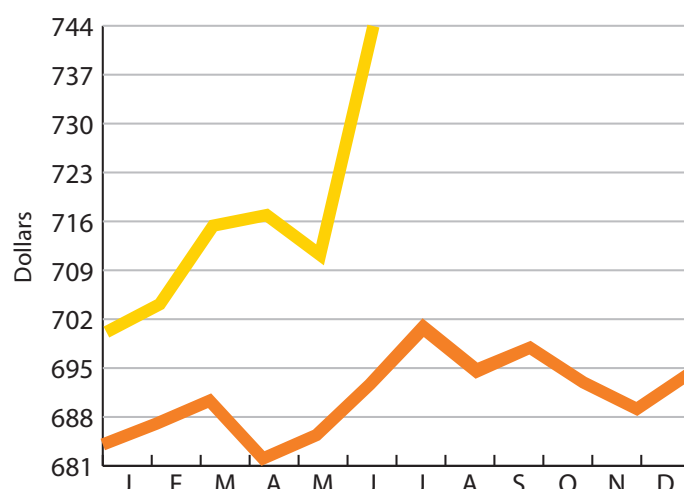
Total Production Hours



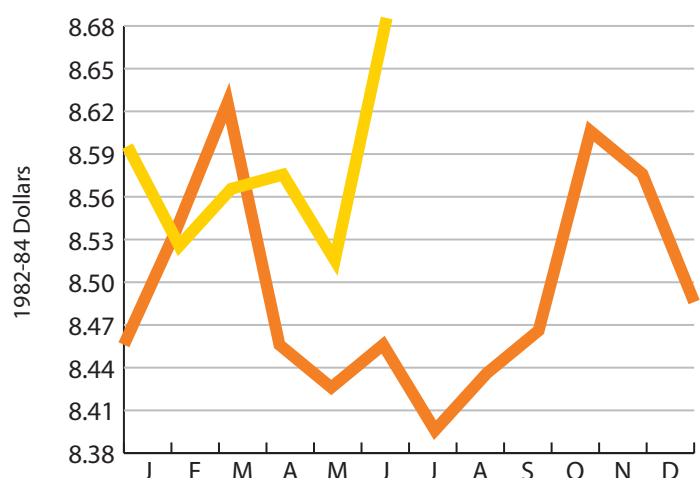
Average Hourly Earnings



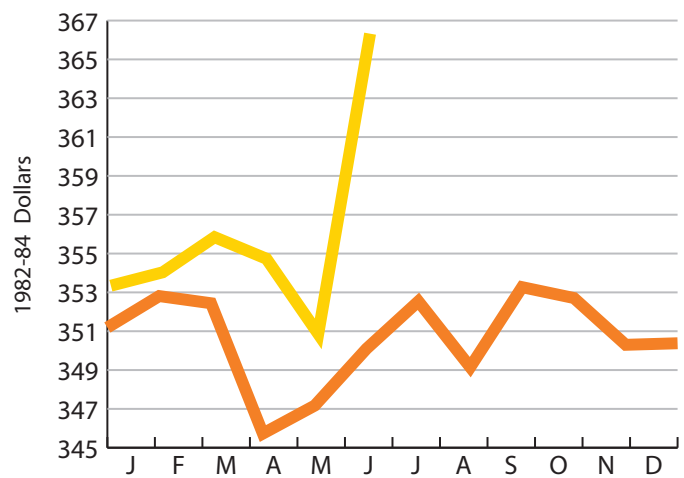
Average Weekly Earnings



Deflated Average Hourly Earnings



Deflated Average Weekly Earnings



BUSINESS INDICATORS

	Single Family Housing Permits		New Business Incorporations		New Vehicle Registrations	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,368	4,014	1,715	2,021	42,165	47,133
February	3,546	4,070	1,762	1,614	36,957	47,266
March	4,287	3,852	2,185	1,739	48,908	45,411
April	3,950	3,503	1,452	1,308	46,085	43,346
May	3,975	3,487	1,891	1,772	52,423	46,932
June	3,663	3,103	1,807	1,728	51,645	44,575
July	2,980	2,882	1,607	1,641	46,487	43,470
August	3,102	2,846	1,555	1,679	53,772	47,036
September	2,511	2,650	1,506	1,547	45,852	42,737
October	2,694	2,747	1,410	1,547	45,579	45,588
November	2,444	2,955	1,320	1,601	37,088	45,362
December	2,033	2,402	1,325	1,375	35,388	44,059
2007						
January	2,350	2,801	1,560	1,839	41,967	46,911
February	2,588	2,971	1,553	1,423	33,096	42,328
March	3,082	2,769	1,885	1,500	45,232	41,998
April	2,936	2,604	1,549	1,396	46,993	44,200
May	3,156	2,768	1,596	1,496	55,429	49,623
June	3,057	2,589	1,575	1,506	49,747	42,937

BUSINESS INDICATORS (CONTINUED)

	Taxable Retail Sales (Millions of Dollars)		Deflated Taxable Retail Sales (Millions of 1982-84 Dollars)	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted
January	7,182	8,415	3,702	4,314
February	7,395	8,472	3,808	4,347
March	8,677	8,570	4,443	4,388
April	8,586	8,676	4,354	4,413
May	8,638	8,667	4,358	4,386
June	9,185	8,659	4,625	4,371
July	8,284	8,363	4,159	4,206
August	8,682	8,874	4,350	4,458
September	8,621	8,561	4,345	4,334
October	8,495	8,469	4,312	4,308
November	8,557	8,741	4,348	4,429
December	10,554	8,427	5,352	4,243
2007				
January	7,714	9,038	3,905	4,550
February	7,807	8,944	3,932	4,489
March	8,895	8,785	4,434	4,379
April	8,586	8,676	4,248	4,305
May	9,045	9,075	4,441	4,470
June	9,299	8,767	4,560	4,310

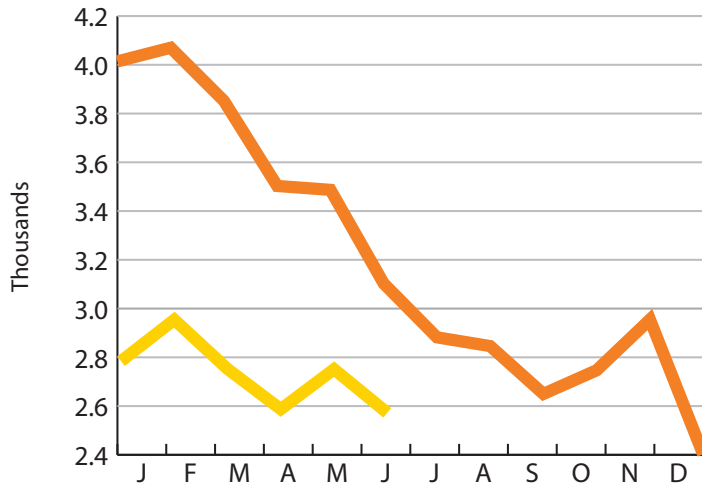
BUSINESS INDICATORS

January 2006 - June 2007

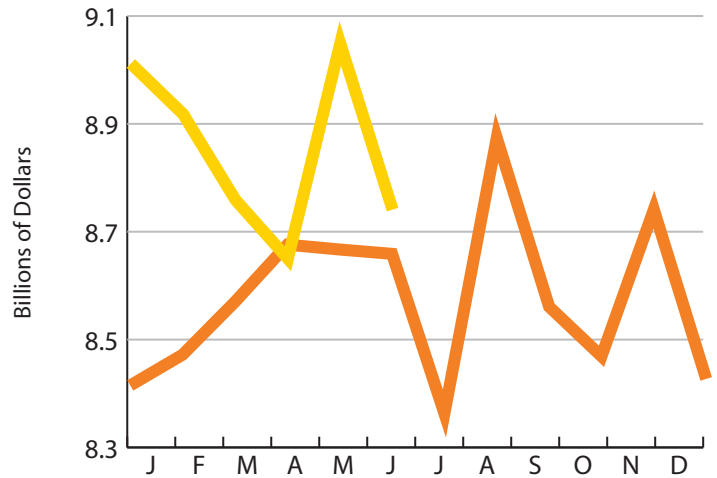
2006

2007

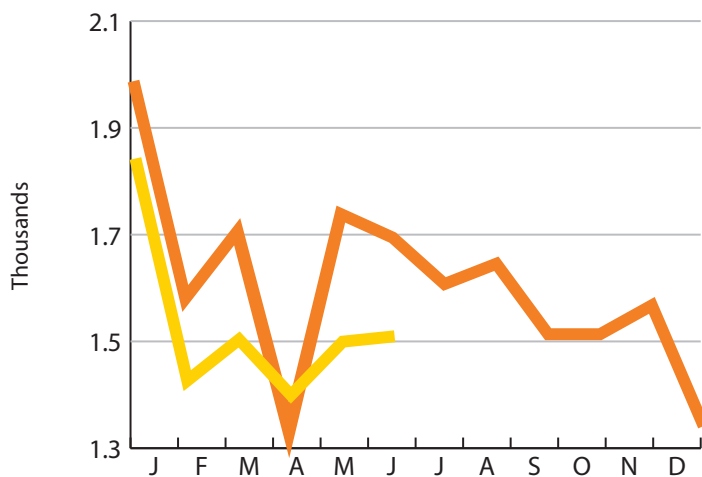
Single Family Housing Permits



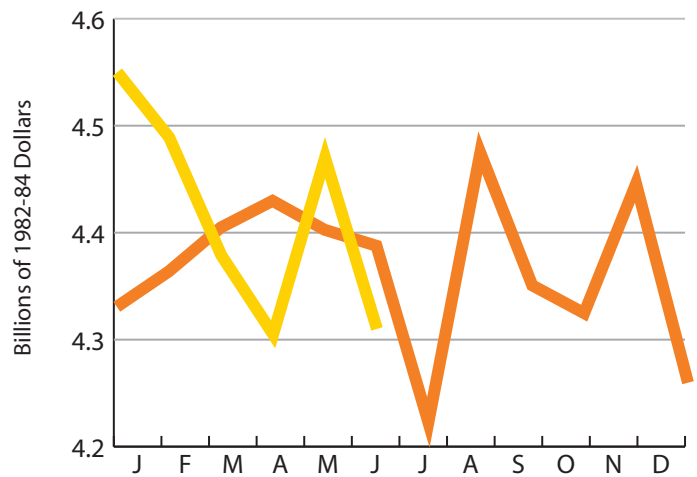
Taxable Retail Sales



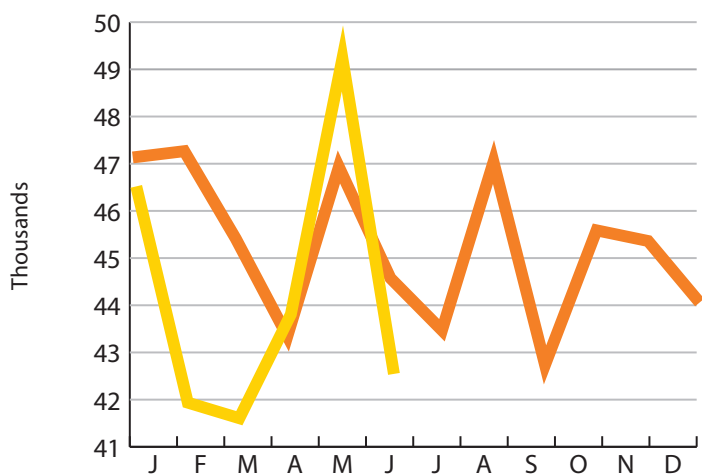
New Business Incorporations



Deflated Taxable Retail Sales



New Vehicle Registrations



DATA SUMMARY (SEASONALLY ADJUSTED DATA)

APRIL 2007

	Apr. 2007	Mar. 2007	Apr.2006	Percent & Direction of Change**	
				Mar. 2007 -Apr. 2007	Apr. 2006 -Apr. 2007
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,774.0	3,773.7	3,720.0	0.0 (0)	1.5 (+)
*Manufacturing Employment (000)	286.7	286.4	291.2	0.1 (0)	-1.5 (-)
*Total Unemployment Rate (%)	3.1	3.0	3.0	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,258	5,121	4,510	2.7 (-)	16.6 (-)
Insured Unemployment Rate (%)	0.98	0.90	0.88	(-)	(-)
Final Payments	2,790	2,719	2,886	2.6 (-)	-3.3 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.6	41.9	41.1	-0.7 (-)	1.2 (+)
*Total Production Hours (000)	9,337	9,391	9,281	-0.6 (-)	0.6 (+)
*Average Hourly Earnings (\$)	17.27	17.14	16.63	0.8 (+)	3.8 (+)
*Average Weekly Earnings (\$)	717.33	715.84	682.46	0.2 (0)	5.1 (+)
BUSINESS					
Single Family Housing Permits	2,604	2,769	3,503	-6.0 (-)	-25.7 (-)
New Business Incorporations	1,396	1,500	1,308	-6.9 (-)	6.7 (+)
New Vehicle Registrations	44,200	41,998	43,346	5.2 (+)	2.0 (+)
Taxable Retail Sales (\$M)	8,676	8,785	8,676	-1.2 (-)	0.0 (0)

DATA SUMMARY (SEASONALLY ADJUSTED DATA)

MAY 2007

	May 2007	Apr. 2007	May 2006	Percent & Direction of Change**	
				Apr. 2007 - May 2007	May 2006 - May 2007
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,773.4	3,774.0	3,727.1	0.0 (0)	1.2 (+)
*Manufacturing Employment (000)	286.5	286.7	290.9	-0.1 (0)	-1.5 (-)
*Total Unemployment Rate (%)	2.9	3.1	2.9	(+)	(0)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	4,761	5,258	4,915	-9.5 (+)	-3.1 (+)
Insured Unemployment Rate (%)	0.95	0.98	0.87	(+)	(-)
Final Payments	3,605	2,790	3,529	29.2 (-)	2.2 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.2	41.6	41.2	-1.0 (-)	0.0 (0)
*Total Production Hours (000)	9,238	9,337	9,312	-1.1 (-)	-0.8 (-)
*Average Hourly Earnings (\$)	17.30	17.27	16.67	0.2 (0)	3.8 (+)
*Average Weekly Earnings (\$)	711.73	717.33	685.76	-0.8 (-)	3.8 (+)
BUSINESS					
Single Family Housing Permits	2,768	2,604	3,487	6.3 (+)	-20.6 (-)
New Business Incorporations	1,496	1,396	1,772	7.2 (+)	-15.6 (-)
New Vehicle Registrations	49,623	44,200	46,932	12.3 (+)	5.7 (+)
Taxable Retail Sales (\$M)	9,075	8,676	8,667	4.6 (+)	4.7 (+)

DATA SUMMARY (SEASONALLY ADJUSTED DATA)

JUNE 2007

	Jun. 2007	May 2007	Jun. 2006	Percent & Direction of Change**	
				May 2007 - Jun. 2007	Jun. 2006 - Jun. 2007
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,785.2	3,773.4	3,736.4	0.3 (0)	1.3 (+)
*Manufacturing Employment (000)	287.4	286.5	290.3	0.3 (0)	-1.0 (-)
*Total Unemployment Rate (%)	3.0	2.9	3.0	(-)	(0)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	4,423	4,761	4,575	-7.1 (+)	-3.3 (+)
Insured Unemployment Rate (%)	0.89	0.95	0.84	(+)	(-)
Final Payments	2,637	3,605	2,612	-26.9 (+)	1.0 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	42.2	41.2	41.4	2.4 (+)	1.9 (+)
*Total Production Hours (000)	9,514	9,238	9,351	3.0 (+)	1.7 (+)
*Average Hourly Earnings (\$)	17.66	17.30	16.76	2.1 (+)	5.4 (+)
*Average Weekly Earnings (\$)	743.96	711.73	692.89	4.5 (+)	7.4 (+)
BUSINESS					
Single Family Housing Permits	2,589	2,768	3,103	-6.5 (-)	-16.6 (-)
New Business Incorporations	1,506	1,496	1,728	0.7 (+)	-12.8 (-)
New Vehicle Registrations	42,937	49,623	44,575	-13.5 (-)	-3.7 (-)
Taxable Retail Sales (\$M)	8,767	9,075	8,659	-3.4 (-)	1.2 (+)

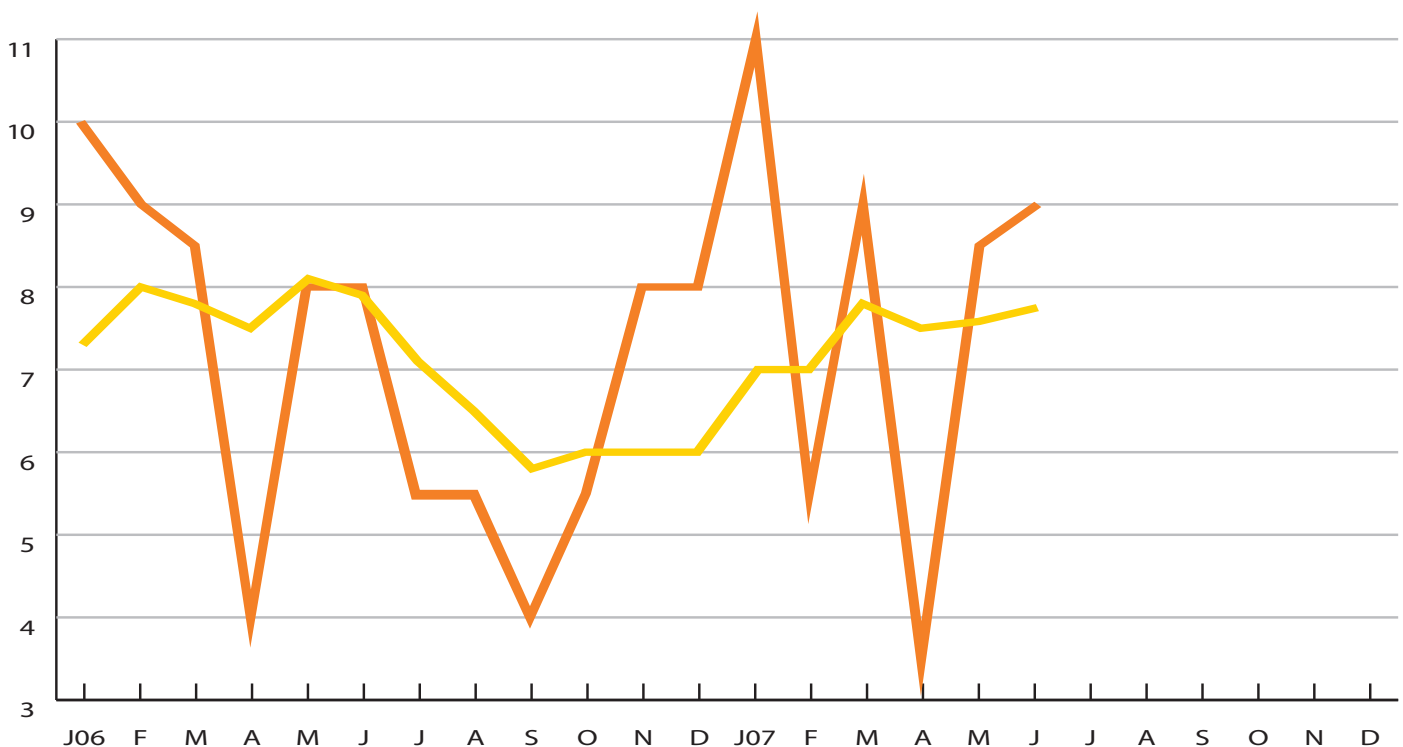
* Revised to 1st Quarter 2006 benchmarks.

** (+) Favorable, (-) Not Favorable, (0) Change between +/- 0.5%.

NUMBER OF SERIES MOVING FAVORABLY

Plus One-Half the Number Unchanged

Monthly Total 6-Month Moving Average





PRIVATE TRADE IN VIRGINIA

James P. Wilson, Senior Economist

Editor's Note:

Normally in the second quarter *Virginia Economic Indicators* we like to publish the annual article, "Trends in Defense Employment," which gives an update of Virginia military and civilian defense employment, a vital segment of this state's economy. This feature article is based on data from the U.S. Department of Defense (DOD) that provides military and civilian employment by Virginia defense installations as of the close of the previous federal fiscal year. Unfortunately, as of press time for the Second Quarter 2007 *Indicators* issue, this data was as yet unavailable from DOD, perhaps because of federal budget cuts. Efforts to secure the data from DOD have thus far proven unsuccessful. If and when the information becomes available, we will include it in the next *Indicators* issue. In the meantime, for this issue's feature article, we are substituting "Private Trade in Virginia" by James P. Wilson, Virginia Employment Commission Senior Economist. The trade industry employs nearly 550,000 Virginia workers, being the state's third-largest industrial sector, and is key to the state's economy. This article was prepared to be used as a future *Indicators* feature article.

Establishments

- ◆ The average employment per Trade establishment is only a little smaller than the average for All Industries, but Wholesale establishments are about half the size of those of Retail.
- ◆ As expected, General Merchandise Stores are the largest (60 employees per establishment).
- ◆ There is not much variation in size, with most sub-sectors having 10-20 employees per establishment and only three sub-sectors that average in the single-digits.
- ◆ Only one sub-sector, Merchant Wholesalers of Durable Goods, has double-digit percentage shares of establishments and employment.
- ◆ Wholesalers have about two-thirds of establishments and one-fourth of employment. Retailers have about one-third of establishments and three-fourths of employment.





NAICS Code and Sub-Sector		2006 Average	Percent of Total	2006 Average Employment	Percent of Total	Employment per Establishment
423	Merchant Wholesalers, Durable Goods	5,160	13.1%	64,947	11.9%	13
424	Merchant Wholesalers, Nondurable Goods	2,236	5.7%	35,458	6.5%	16
425	Electronic Markets and Agents/Brokers	5,336	13.5%	19,142	3.5%	4
441	Motor Vehicle and Parts Dealers	3,217	8.1%	55,364	10.2%	17
442	Furniture and Home Furnishings Stores	1,769	4.5%	17,787	3.3%	10
443	Electronics and Appliance Stores	1,343	3.4%	15,183	2.8%	11
444	Building Material & Garden Supply Stores	1,711	4.3%	34,331	6.3%	20
445	Food and Beverage Stores	2,540	6.4%	64,047	11.8%	25
446	Health and Personal Care Stores	1,847	4.7%	22,163	4.1%	12
447	Gasoline Stations	3,725	9.4%	33,147	6.1%	9
448	Clothing and Clothing Accessories Stores	3,559	9.0%	39,101	7.2%	11
451	Sporting Goods/Hobby/Book/Music Stores	1,616	4.1%	18,439	3.4%	11
452	General Merchandise Stores	1,424	3.6%	84,938	15.6%	60
453	Miscellaneous Store Retailers	3,111	7.9%	23,737	4.4%	8
454	Nonstore Retailers	890	2.3%	15,759	2.9%	18
	Wholesale Trade Total	12,732	32.2%	119,547	22.0%	9
	Retail Trade Total	26,752	67.8%	423,996	78.0%	16
	Wholesale and Retail Trade Total	39,484		543,543		14
	All Industries	214,996		3,636,596		17

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW, formerly ES-202).

Employment

- ◆ General Merchandise Stores is the largest sub-sector and has provided the most new Trade jobs in the five- and ten-year periods shown in the table on page 23. Merchant Wholesalers of Durable Goods has provided the most new jobs in the last 15 years.
- ◆ Although all sub-sectors grew from 1991 to 2006, five of the 15 sub-sectors have declined in the last five years; and four of these declining sub-sectors lost employment over both the last five and ten years.
- ◆ In the last 15 years, Trade grew one-third slower than All Industries, decreasing Trade's share of employment from 16.3 percent to 14.9 percent.
- ◆ Trade has accounted for 10 percent to 11 percent of the new jobs in the periods shown in the table on page 23.
- ◆ From 1991 to 2006, Virginia grew about the same as the nation in Wholesale Trade (13.2 percent vs. 13.7 percent). *
- ◆ Virginia grew a little faster than the nation in Retail Trade (21.8 percent vs. 18.8 percent). *
- ◆ Overall, Virginia's Wholesale and Retail Trade grew 19.8 percent over the last 15 years compared to the national growth rate of 17.3 percent. *

*Sources: Current Employment Statistics of U.S. Department of Labor, Bureau of Labor Statistics and Virginia Employment Commission. See definitions below.



Sector Definitions:

Wholesale Trade—NAICS sub-sectors 423-425

Retail Trade—NAICS sub-sectors 441-448 and 451-454

NAICS Code and Sub-Sector		1991	1996	2001	2006
423	Merchant Wholesalers, Durable Goods	47,915	55,021	61,940	64,947
424	Merchant Wholesalers, Nondurable Goods	33,515	37,829	37,572	35,458
425	Electronic Markets and Agents/Brokers	16,017	16,076	15,167	19,142
441	Motor Vehicle and Parts Dealers	41,897	48,682	52,170	55,364
442	Furniture and Home Furnishings Stores	13,861	15,432	15,989	17,787
443	Electronics and Appliance Stores	10,039	12,397	14,819	15,183
444	Building Material & Garden Supply Stores	21,717	25,086	28,132	34,331
445	Food and Beverage Stores	60,550	66,701	65,649	64,047
446	Health and Personal Care Stores	20,048	18,362	21,296	22,163
447	Gasoline Stations	31,416	34,547	35,233	33,147
448	Clothing and Clothing Accessories Stores	34,807	32,150	33,656	39,101
451	Sporting Goods/Hobby/Book/Music Stores	14,349	17,380	17,541	18,439
452	General Merchandise Stores	68,745	68,923	77,734	84,938
453	Miscellaneous Store Retailers	18,916	21,504	24,399	23,737
454	Nonstore Retailers	15,248	17,589	19,570	15,759
	Wholesale Trade Total	97,447	108,926	114,679	119,547
	Retail Trade Total	351,593	378,753	406,188	423,996
	Wholesale and Retail Trade Total	449,040	487,679	520,867	543,543
	All Industries	2,762,991	3,076,999	3,438,396	3,636,596

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW, formerly ES-202).

Employment Change		1991-2006 Change		1996-2006 Change		2001-2006 Change	
NAICS Code	Sub-Sector	Number	Percent	Number	Percent	Number	Percent
423	Merchant Wholesalers, Durable Goods	17,032	35.5%	9,926	18.0%	3,007	4.9%
424	Merchant Wholesalers, Nondurable Goods	1,943	5.8%	-2,371	-6.3%	-2,114	-5.6%
425	Electronic Markets and Agents/Brokers	3,125	19.5%	3,066	19.1%	3,975	26.2%
441	Motor Vehicle and Parts Dealers	13,467	32.1%	6,682	13.7%	3,194	6.1%
442	Furniture and Home Furnishings Stores	3,926	28.3%	2,355	15.3%	1,798	11.2%
443	Electronics and Appliance Stores	5,144	51.2%	2,786	22.5%	364	2.5%
444	Building Material & Garden Supply Stores	12,614	58.1%	9,245	36.9%	6,199	22.0%
445	Food and Beverage Stores	3,497	5.8%	-2,654	-4.0%	-1,602	-2.4%
446	Health and Personal Care Stores	2,115	10.5%	3,801	20.7%	867	4.1%
447	Gasoline Stations	1,731	5.5%	-1,400	-4.1%	-2,086	-5.9%
448	Clothing and Clothing Accessories Stores	4,294	12.3%	6,951	21.6%	5,445	16.2%
451	Sporting Goods/Hobby/Book/Music Stores	4,090	28.5%	1,059	6.1%	898	5.1%
452	General Merchandise Stores	16,193	23.6%	16,015	23.2%	7,204	9.3%
453	Miscellaneous Store Retailers	4,821	25.5%	2,233	10.4%	-662	-2.7%
454	Nonstore Retailers	511	3.4%	-1,830	-10.4%	-3,811	-19.5%
	Wholesale Trade Total	22,100	22.7%	10,621	9.8%	4,868	4.2%
	Retail Trade Total	72,403	20.6%	45,243	11.9%	17,808	4.4%
	Wholesale and Retail Trade Total	94,503	21.0%	55,864	11.5%	22,676	4.4%
	All Industries	873,605	31.6%	559,597	18.2%	198,200	5.8%

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW, formerly ES-202).

Wages

- ◆ Electronic Markets and Agents/Brokers is the highest-paying sub-sector at more than two and one-half times the Trade average, but has the fifth-lowest number of employees.
- ◆ The sub-sector with the largest employment, General Merchandise Stores, has the fifth-lowest wage, which is 55 percent lower than the overall average.
- ◆ Ten of the 15 sub-sectors, with 65 percent of Trade employees, pay average weekly wages below the Trade average.
- ◆ The lowest-paying sub-sector, Clothing and Clothing Accessories Stores, pays about 50 percent less than the Trade average. It is also the fifth-largest employing sub-sector.
- ◆ Six of the 15 sub-sectors, with almost one-half of Trade employees, pay less than \$400 per week.
- ◆ With wage growth slightly faster than the All Industries average, Wholesale Trade has increased its wage premium in the last 15 years from 34.5 percent to 38.4 percent. (See table on page 25.)
- ◆ Retail Trade's next-to-last wage growth has resulted in its employees falling further behind the All Industries average—from 36.2 percent to 44.5 percent below average. (See table on page 25.)
- ◆ The gap in average weekly wages between Wholesale Trade and Retail Trade is due to the former having both higher average hourly earnings (\$18.91 vs. \$12.58) and average weekly hours (38.0 vs. 30.5).*
- ◆ Total wages exceed \$339 million per week. Although Wholesale Trade has only 22 percent of employment, it pays over 41 percent of total wages.

*National data for non-supervisory workers. Source: Current Employment Statistics of U. S. Department of Labor, Bureau of Labor Statistics.

NAICS Code and Sub-Sector		2006 Average Employment	Average Weekly Wage	Average Annual Wage	Rank
425	Electronic Markets and Agents/Brokers	19,142	\$1,611	\$83,772	1
423	Merchant Wholesalers, Durable Goods	64,947	\$1,197	\$62,244	2
424	Merchant Wholesalers, Nondurable Goods	35,458	\$889	\$46,228	3
441	Motor Vehicle and Parts Dealers	55,364	\$775	\$40,300	4
443	Electronics and Appliance Stores	15,183	\$702	\$36,504	5
444	Building Material & Garden Supply Stores	34,331	\$571	\$29,692	6
442	Furniture and Home Furnishings Stores	17,787	\$565	\$29,380	7
454	Nonstore Retailers	15,759	\$555	\$28,860	8
446	Health and Personal Care Stores	22,163	\$554	\$28,808	9
445	Food and Beverage Stores	64,047	\$388	\$20,176	10
452	General Merchandise Stores	84,938	\$380	\$19,760	11
453	Miscellaneous Store Retailers	23,737	\$373	\$19,396	12
447	Gasoline Stations	33,147	\$346	\$17,992	13
451	Sporting Goods/Hobby/Book/Music Stores	18,439	\$310	\$16,120	14
448	Clothing and Clothing Accessories Stores	39,101	\$309	\$16,068	15
	Wholesale Trade Total	119,547	\$1,172	\$60,944	
	Retail Trade Total	423,996	\$470	\$24,440	
	Wholesale and Retail Trade Total	543,543	\$625	\$32,500	
	All Industries	3,636,596	\$847	\$44,044	

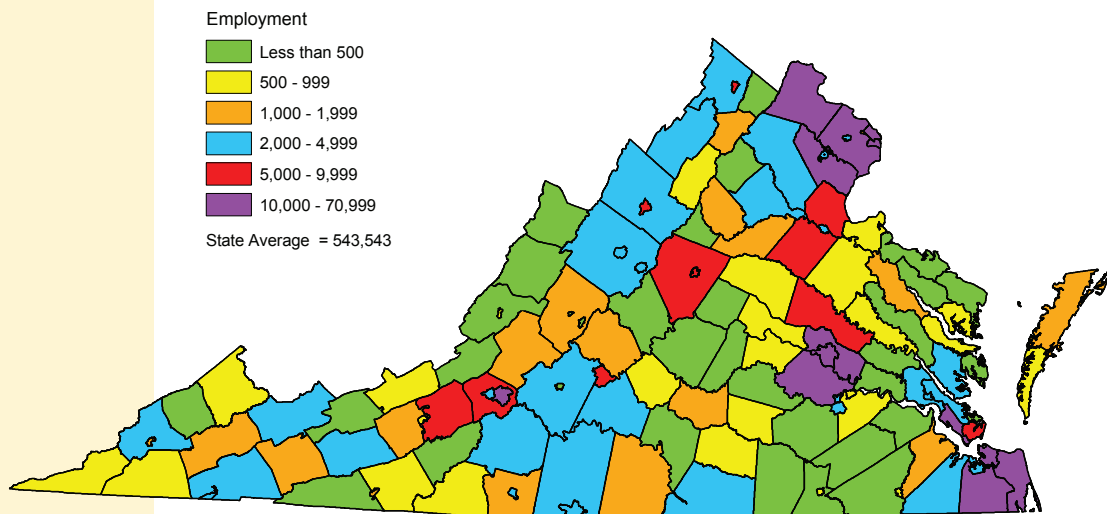
NAICS Code and Sectors		Average Weekly Wage		1991-2006 Average Annual Growth Rate	Rank
		1991	2006		
52	Finance and Insurance	\$549	\$1,322	6.0%	1
55	Management of Companies and Enterprises	\$756	\$1,746	5.7%	2
51	Information	\$650	\$1,448	5.5%	3
22	Utilities	\$750	\$1,628	5.3%	4
54	Professional and Technical Services	\$715	\$1,504	5.1%	5
53	Real Estate and Rental and Leasing	\$394	\$814	5.0%	6
42	Wholesale Trade	\$616	\$1,172	4.4%	7
81	Other Services, Ex. Public Admin.	\$340	\$626	4.2%	8
23	Construction	\$448	\$811	4.0%	9
56	Administrative and Waste Services	\$308	\$556	4.0%	10
31-33	Manufacturing	\$500	\$874	3.8%	11
61	Educational Services	\$393	\$684	3.8%	12
11	Agriculture, Forestry, Fishing & Hunting	\$283	\$485	3.7%	13
92	Total Government	\$526	\$878	3.5%	14
62	Health Care and Social Assistance	\$455	\$752	3.4%	15
71	Arts, Entertainment, and Recreation	\$259	\$425	3.4%	16
72	Accommodation and Food Services	\$177	\$289	3.3%	17
21	Mining	\$643	\$1,037	3.2%	18
44-45	Retail Trade	\$292	\$470	3.2%	19
48-49	Transportation and Warehousing	\$491	\$766	3.0%	20
	Wholesale and Retail Trade Total	\$362	\$625	3.7%	
	All Industries	\$458	\$847	4.2%	



Geographic Distribution of Employment and Wages

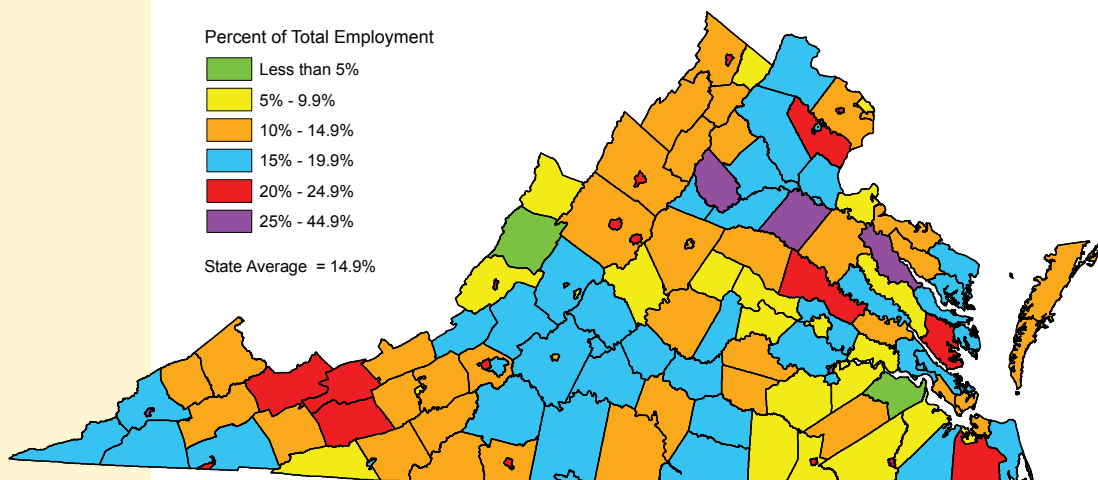
- ◆ Fairfax County's trade employment, which exceeds 70,000, is over 13 percent of the state total and is greater than the next two localities (Henrico County and Virginia Beach city) combined.
- ◆ Over one-half of the employment is in the 13 localities with at least 10,000 employees.
- ◆ As expected, trade employment is concentrated in the metropolitan areas, particularly the centers of these areas.
- ◆ Almost one-fourth of the localities have less than 500 trade employees.
- ◆ The two localities with the highest concentration of trade employment (Colonial Heights city and Madison County) have an above-average number of employees per retail establishment, but a below-average number per wholesale establishment.
- ◆ The two areas with the lowest concentration of trade, Bath and Surry counties, also have very little trade employment (less than 200 each).

2006 Average Employment in Private Trade



Source: Virginia Employment Commission, July 2007

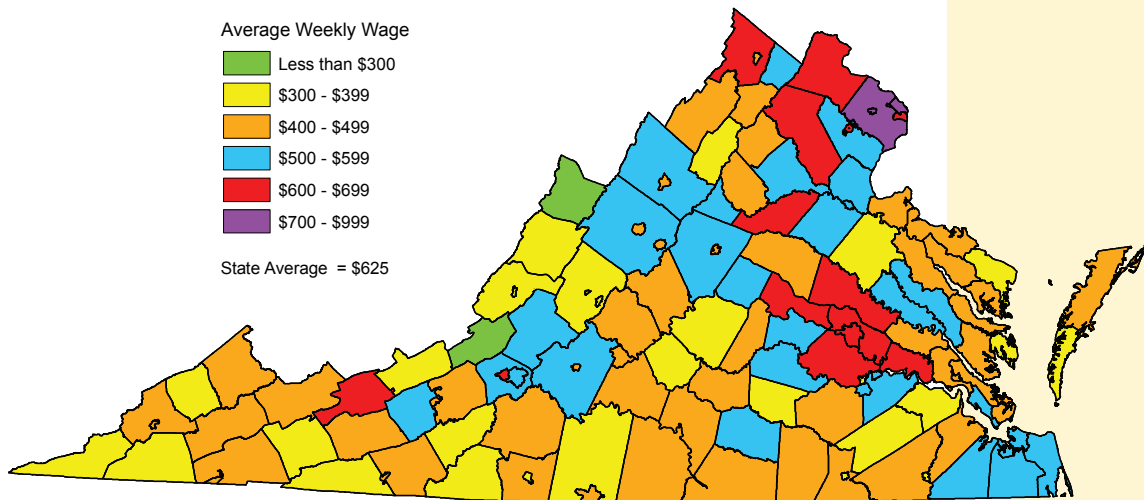
2006 Percent of Total Employment in Private Trade



Source: Virginia Employment Commission, July 2007

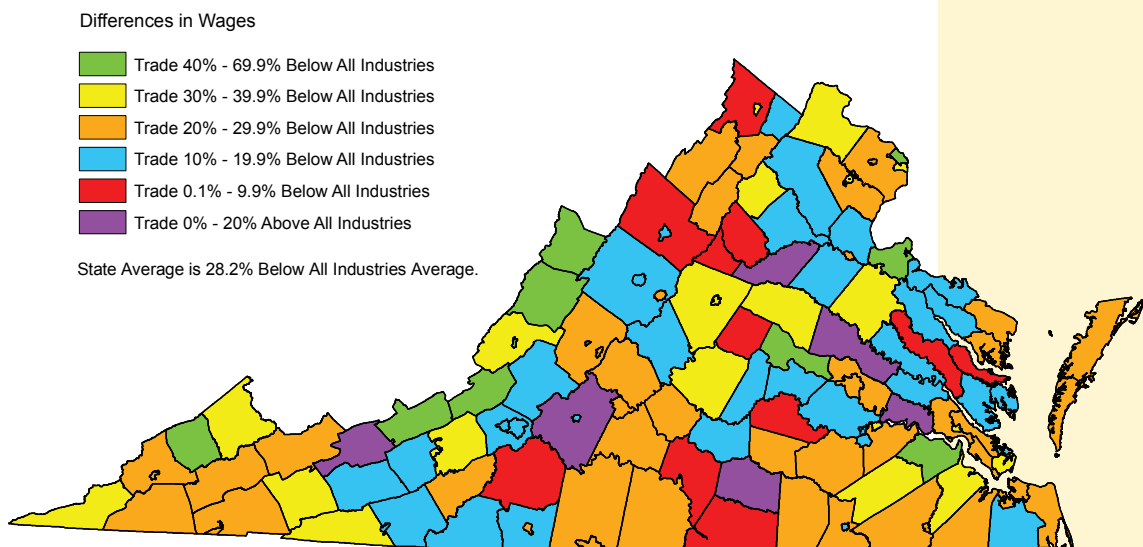
- ◆ Two localities, Manassas Park city and Fairfax County, have average weekly wages in trade that exceed both the state all-industries and trade averages. Both are in the Northern Virginia Metropolitan Statistical Area.
- ◆ In almost one-fourth of the localities the average weekly wage for trade is less than \$400.
- ◆ The trade wage is less than the area's all-industries wage in all but seven localities. Five of these localities (Bland County, Charles City County, Hanover County, Manassas Park city, and Orange County) have trade wages that exceed the state average of \$625.
- ◆ The trade wage in ten localities is at least 40 percent below the all-industries wage in their respective area.
- ◆ Surry County and Manassas Park city have, respectively, the lowest and highest trade wage relative to the all-industries wage in their locality.

2006 Average Weekly Wages in Private Trade



Source: Virginia Employment Commission, July 2007

2006 Average Weekly Wages in Private Trade Compared to All Industries



Source: Virginia Employment Commission, July 2007

Performance of Indicators Over the Business Cycle

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

Business Cycle Turning Points

The beginning of a recession is defined as the month when aggregate economic activity in the U.S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. On November 26, 2001, the National Bureau of Economic Research (NBER) announced a recession had begun in March 2001. On July 17, 2003, NBER announced the recession ended in November 2001.

Seasonal Adjustment

To correlate changes in a time series and changes in the business cycle, it is desirable to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in the *Virginia Economic Indicators* have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

Historical Graph

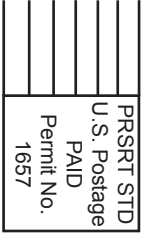
Historical graphs are published in the back of the fourth quarter issue for each year.

Data Sources

U.S. Census Bureau:	Average Weekly Initial Claims
Single Family Housing Permits	Deflated Average Hourly Earnings
Virginia Department of Motor Vehicles:	Deflated Average Weekly Earnings
New Vehicle Registrations	Insured Unemployment Rate
Virginia Department of Taxation:	Manufacturing Employment
Deflated Taxable Retail Sales	Nonagricultural Wage
Taxable Retail Sales	and Salary Employment
Virginia Employment Commission:	Total Production Hours
Average Hourly Earnings	Total Unemployment Rate
Average Weekly Earnings	Unemployment Insurance Final Payments
Average Weekly Hours	Virginia State Corporation Commission:
	New Business Incorporations

Virginia Economic Indicators - Vol. 39, No. 2
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Virginia Employment Commission
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